OSISKO MINING CORPORATION

(a development stage company)

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Interim Consolidated Financial Statements
For the six months ended
June 30, 2008

Osisko Mining Corporation
(a development stage company)
Consolidated Balance Sheets

(unaudited, expressed in thousands of dollars)

	As at June 30, 2008	As at December 31, 2007
	$	$
Assets		
Current assets		
Cash and cash equivalents (note 4)	116,841	108,133
Short-term investments	-	55,000
Cash collateral investments (note 6)	13,950	17,592
Accounts receivable (note 7)	22,181	13,957
Prepaids and deposits	1,613	650
	154,585	195,332
Restricted cash (note 5)	13,009	-
Cash collateral investments (note 6)	10,964	1,353
Property, plant and equipment (note 8)	41,177	24,783
Mineral properties and deferred expenditures (note 9)	71,198	42,926
	290,933	264,394
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	16,611	11,856
Long-term debt (note 10)	19,189	-
	35,800	11,856
Shareholders' Equity		
Share capital (note 11)	244,024	246,999
Warrants (note 11)	19,579	19,481
Contributed surplus (note 13)	13,601	11,800
Deficit	(22,071)	(25,742)
	255,133	252,538
	290,933	264,394

APPROVED ON BEHALF OF THE BOARD

(signed) Sean Roosen, **Director**

(signed) Victor H. Bradley, **Director**

See accompanying notes to interim consolidated financial statements.

Osisko Mining Corporation

(a development stage company)

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

(unaudited, expressed in thousands of dollars, except for per share amount)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	$	$	$	$
Expenses				
Salaries and fringe benefits	584	363	1,154	769
General and administrative expenses	660	623	1,204	1,021
Stock-based compensation	216	1,313	737	1,328
Investor relations and corporate development	534	454	904	761
Amortization of property, plant and equipment	50	17	100	34
Loss before the following items	(2,044)	(2,770)	(4,099)	(3,913)
Interest income	1,190	765	2,799	1,307
Foreign exchange gain (loss)	(162)	(1,882)	495	(1,987)
Loss before income taxes	(1,016)	(3,887)	(805)	(4,593)
Future income tax recovery (note 16)	-	-	4,476	-
Net income (loss) and comprehensive income (loss) for the period	(1,016)	(3,887)	3,671	(4,593)
Deficit – beginning of period	(21,055)	(14,656)	(25,742)	(13,950)
Deficit – end of period	(22,071)	(18,543)	(22,071)	(18,543)
Basic net earning (loss) per share	(0.01)	(0.03)	0.02	(0.04)
Diluted net earning (loss) per share	(0.01)	(0.03)	0.02	(0.04)
Weighted average number of shares outstanding				
- Basic	161,422,775	130,587,750	160,922,984	126,809,247
- Diluted	161,422,775	130,587,750	166,189,783	126,809,247

See accompanying notes to interim consolidated financial statements.

Osisko Mining Corporation
(a development stage company)
Consolidated Statements of Cash Flows
(unaudited, expressed in thousands of dollars)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	$	$	$	$
Cash flows from				
Operating activities				
Net income (loss) for the period	(1,016)	(3,887)	3,671	(4,593)
Adjustments for				
Stock-based compensation	216	1,313	737	1,328
Amortization of property, plant and equipment	50	17	100	34
Unrealized foreign exchange loss (gain) on restricted cash and cash collateral investments (notes 5, 6)	173	1,739	(1,160)	1,842
Future income tax recovery (note 16)	-	-	(4,476)	-
	(577)	(818)	(1,128)	(1,389)
Change in non-cash working capital items (note 14)	(1,641)	(1,377)	(3,234)	(800)
	(2,218)	(2,195)	(4,362)	(2,189)
Financing activities				
Long-term debt	20,000	-	20,000	-
Deferred financing fees	(491)	-	(491)	-
Issuance of common shares, net of issue expenses	1,084	285	1,084	78,387
	20,593	285	20,593	78,387
Investing activities				
Deposit in escrow	-	(2,963)	-	(2,963)
Acquisition of short-term investments	-	(10,000)	-	(10,000)
Disposal of short-term investments	45,000	-	55,000	7,013
Increase in Restricted cash	(13,023)	-	(13,023)	-
Increase in Cash collateral investments	(9,588)	(12,654)	(9,588)	(22,231)
Decrease in Cash collateral investments	-	-	4,793	-
Property, plant and equipment	(7,417)	(7,063)	(14,342)	(7,838)
Proceeds on disposal of property, plant and equipment	988	-	1,675	-
Mineral properties and deferred expenditures, net of reimbursable tax credits and mining duties	(20,157)	(6,688)	(32,038)	(10,119)
	(4,197)	(39,368)	(7,523)	(46,138)
Increase (decrease) in cash and cash equivalents	14,178	(41,278)	8,708	30,060
Cash and cash equivalents – beginning of period	102,663	77,220	108,133	5,882
Cash and cash equivalents – end of period	116,841	35,942	116,841	35,942

See accompanying notes to interim consolidated financial statements.

1. Nature of activities

Osisko Mining Corporation ("Osisko" or the "Company") is a precious metals company at the development stage with interests in Canada and Brazil. The Company's main focus is the Canadian Malartic Project located in Malartic, Quebec, Canada.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves. The recoverability of the amounts shown for mineral properties and related deferred expenditures is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of properties. The Company will have to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

The amounts shown as mineral properties and deferred expenditures represent costs to date and do not necessarily represent present or future values. Changes in future conditions could require material write-downs of the carrying amounts of the mineral properties.

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles, except that they do not contain all disclosures as required for annual financial statements. The interim consolidated financial statements have been prepared following the same accounting policies as for the consolidated financial statements for the year ended December 31, 2007 except as noted. Accordingly, they should be read in conjunction with the 2007 consolidated financial statements and the notes thereto.

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the interim consolidated financial statements.

On May 8, 2008, the shareholders of the Company approved a name change of Osisko Exploration Ltée to Osisko Mining Corporation effective June 13, 2008.

2. New accounting standards

On January 1, 2008, the Company adopted new accounting standards related to general standards of financial statement presentation, capital disclosure and financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The new CICA standards are as follows:

Section 1400, *General Standards of Financial Statement Presentation*

This Section specifies the requirements for assessing an entity's ability to continue as a going concern and disclosing any material uncertainties that cast doubt on its ability to continue as a going concern. The Company's disclosure reflects such assessment.

Section 1535, *Capital Disclosures*

This Section specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about these objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosure requirements pertaining to this Section are contained in note 11.

(unaudited, tabular expressed in thousands of dollars)

2. New accounting standards *(continued)*

Section 3862, *Financial Instruments – Disclosures*
Section 3863, *Financial Instruments – Presentation*

These Sections replace Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. Disclosure requirements pertaining to this section are contained in note 18.

3. Significant accounting policies

Flow-through shares

The Company finances some exploration expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes future income tax liability and reduces Shareholder's Equity when the expenditures are renounced and when renunciation forms are filed with tax authorities.

Capitalization of interest

Interest for the development and construction of a specific project is capitalized until project begins commercial operation or the development ceases.

Deferred financing fees

Deferred financing fees are presented as a reduction of long-term debt and are amortized according to the effective interest rate method.

4. Cash and cash equivalents

	As at June 30, 2008	**As at December 31, 2007**
	$	**$**
Bank balances and cash on hand	3,841	8,133
Guaranteed Investment Certificate, 4.10%, matured in January 2008	-	100,000
Guaranteed Investment Certificates, bearing interest between 2.75% and 3.30%, maturing in July 2008	58,000	-
Guaranteed Investment Certificates, bearing interest between 2.75% and 2.85%, maturing in August 2008	55,000	-
	116,841	108,133

(unaudited, tabular expressed in thousands of dollars)

5. Restricted cash

	As at June 30, 2008	As at December 31, 2007
	$	$
Guaranteed Investment Certificates, 2.60%, maturing in September 2008 (US$11,593,000) [1]	11,809	-
Guaranteed Investment Certificate, 2.75%, maturing in April 2009	1,200	-
	13,009	-

[1] The funds are held in US dollars. For the period ended June 30, 2008, an amount of $14,000 was accounted for as unrealized foreign exchange loss on the translation of these certificates on the consolidated statement of operations.

All investments are automatically renewed until the fulfillment of the obligations or conditions set forth in the contracts.

6. Cash collateral investments

In an effort to accelerate the future development of the Canadian Malartic project, the Company has entered into commitments to acquire long-lead standard mining equipment. To secure these orders, the Company is required to make progress payments on key milestone dates. Furthermore, Osisko is required to secure some commitments of these items with letters of credit. As part of these arrangements, financial institutions have issued as at June 30, 2008, letters of credit totalling $24.9 million (US$24.4 million), which are secured by guaranteed investment certificates. The funds are held in US dollars. For the period ended June 30, 2008, an amount of $1,174,000 was accounted for as unrealized foreign exchange gain (loss of $1,842,000 in 2007) on the translation of these certificates on the consolidated statement of operations. Also, the Company realized a foreign exchange loss of $593,000 (2007 – nil) on a certificate used for a progress payment.

	As at June 30, 2008	As at December 31, 2007
	$	$
Current		
Guaranteed Investment Certificate, 1.70%, maturing in July 2008 (US$6,848,000; 2007 – US$10,956,000)	6,975	10,826
Guaranteed Investment Certificate, 4.70%, maturing in August 2008 (2007 and 2008 – US$6,848,000)	6,975	6,766
	13,950	17,592
Non-current		
Guaranteed Investment Certificate, 4.45%, maturing in September 2009 (2007 and 2008 – US$1,369,000)	1,395	1,353
Guaranteed Investment Certificates, 2.3363%, maturing in December 2008 (US$9,394,000)	9,569	-
	10,964	1,353
	24,914	18,945

All cash collateral investments are automatically renewed until progress payments guaranteed by the letter of credit are requested.

(unaudited, tabular expressed in thousands of dollars)

7. Accounts receivable

	As at June 30, 2008	As at December 31, 2007
	$	$
Refundable tax credits and mining duties	16,575	9,552
Sales tax	2,949	2,724
Interest income receivable	1,935	1,456
Advance to suppliers and others	722	56
Receivable from related party	-	169
	22,181	13,957

8. Property, plant and equipment

			As at June 30, 2008	As at December 31, 2007
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Leasehold improvements	672	162	510	370
Furniture and office equipment	717	117	600	404
Exploration equipment and facilities	1,939	360	1,579	3,211
Advances on contracts to purchase equipment	38,488	-	38,488	20,798
	41,816	639	41,177	24,783

All property, plant and equipment are located in Canada.

(unaudited, tabular expressed in thousands of dollars)

9. Mineral properties and deferred expenditures

	Six months ended June 30, 2008	Six months ended June 30, 2007
	$	$
Balance – beginning of period	42,926	9,525
Additions		
Acquisition and maintenance costs	128	8,302
Drilling	11,188	4,612
Geology and geophysics	1,424	842
Assaying	1,964	632
Sampling	1,290	492
Line cutting, drill pad preparation	405	123
Surveying	78	89
Resources calculation	90	70
Logistics	910	405
Management fees	933	650
Feasibility study	4,707	483
Development	10,437	600
Stock-based compensation	1,238	-
Interest on long-term debt	276	-
Amortization of property, plant and equipment	206	69
Amortization of deferred financing fees	21	-
Total additions	35,295	17,369
Deductions		
Refundable tax credit and mining duties	7,023	3,276
Balance – end of period	71,198	23,618

(unaudited, tabular expressed in thousands of dollars)

9. Mineral properties and deferred expenditures *(continued)*

Description	As at December 31, 2007	Net additions	As at June 30, 2008
	$	$	$
Canada			
Canadian Malartic			
Acquisition costs	1,581	5	1,586
Exploration costs	34,555	17,595	52,150
Feasibility costs	3,836	5,647	9,483
Development costs	5,321	11,033	16,354
Tax credits and mining duties	(12,711)	(6,753)	(19,464)
	32,582	27,527	60,109
East Amphi			
Acquisition costs	8,186	-	8,186
Exploration costs	349	216	565
Tax credits and mining duties	(84)	(70)	(154)
	8,451	146	8,597
Malartic CHL			
Acquisition costs	77	35	112
Exploration costs	890	608	1,498
Tax credits and mining duties	(325)	(198)	(523)
	642	445	1,087
Cadillac			
Acquisition costs	127	-	127
Exploration costs	435	5	440
Tax credits and mining duties	(176)	(2)	(178)
	386	3	389
Total Canada	**42,061**	**28,121**	**70,182**
Brazil			
Castelo dos Sonhos			
Acquisition costs	546	88	634
Exploration costs	319	63	382
Total Brazil	**865**	**151**	**1,016**
Total	**42,926**	**28,272**	**71,198**

(unaudited, tabular expressed in thousands of dollars)

10. Long-term debt

	As at June 30, 2008	As at December 31, 2007
	$	$
Unsecured loan of $20,000,000, bearing interest at 9.50% payable semi-annually in shares or cash prior to commercial production and in cash thereafter, principal repayable in a minimum of forty-eight equal instalments commencing on the earlier of commercial production or May 9, 2011 (1)	20,000	-
Long-term debt	20,000	-
Deferred financing fees (2)(3)	(811)	-
Long-term debt, net of deferred financing fees	19,189	-

(1) Prior to issuance of a positive Bankable Feasibility Study, the Lender may request the Company to grant security on cash resources up to $21 million.

(2) The Company granted 1,100,000 warrants to the lender. Each warrant entitles its holder to purchase one common share of the Company at a price of $7.46 until May 9, 2013. The warrants are subject to an accelerated expiry if, at any time following five months after May 9, 2008 (“Closing date”), the market price is more than 130% of the exercise price of the warrant for the first two years following the Closing date and 135% thereafter. A fair value of $341,000 was assigned to these warrants.

(3) Financing fees on the $20 million long-term debt amounts to $491,000.

The aggregate amount of the long-term debt payments required in each of the next five years is as follows:

	$
2008	-
2009	-
2010	-
2011	2,917,000
2012	5,000,000

(unaudited, tabular expressed in thousands of dollars)

11. Share capital and warrants

Capital management

Osisko is currently in the process of developing the Canadian Malartic Project (“the Project”). On March 31, 2008, the Company issued a Preliminary Assessment Report which outlined the estimated cost of the Project at US$760 million. The Company intends to fund the construction and development of the Project from its cash resources, external debt, and the issuance of capital. Osisko has entered into two financing agreements for a $20 million unsecured debt and a US$83 million capital lease financing facility as part of a financing package to develop the Project.

The Company is monitoring market conditions to secure the funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

Common shares

Authorized
Unlimited number of common shares, without par value

Issued and paid
The following table details the changes in the Company’s common shares:

	As at June 30, 2008	
	Number of shares	Amount
		$
Balance – beginning of period	160,423,193	246,999
Flow-through private placement (note 16)	-	(4,476)
Exercise of warrants [1]	600,000	951
Exercise of options (note 12)	874,000	550
Balance – end of period	161,897,193	244,024

[1] For the period ended June 30, 2008, 600,000 warrants were exercised for cash consideration of $708,000. An amount of $243,000 from these warrants has been reclassified from Warrants to Share capital.

Employee share purchase plan

The shareholders of the Company approved on May 8, 2008 the establishment of an Employee Share Purchase Plan. Under the terms of the Plan, the Company will contribute an amount equal to 60% of the eligible employee’s contribution towards the acquisition of shares on a quarterly basis from treasury. A maximum of 5% of the issued and outstanding common shares are reserved for issuance under the Employee Share Purchase Plan. There were no shares issued under this Plan during the quarter.

(unaudited, tabular expressed in thousands of dollars)

11. Share capital and warrants *(continued)*

Warrants

The following table summarizes information about the Company's warrants outstanding:

		As at June 30, 2008
	Number of warrants	**Amount**
		$
Balance – beginning of period	17,380,000	19,481
Granted to the lender (note 10)	1,100,000	341
Exercised	(600,000)	(243)
Balance – end of period	17,880,000	19,579

The following table summarizes the Company's warrants outstanding as at June 30, 2008:

Expiry date	Number of warrants	Exercise price
		$
August 2008	735,000	5.75
November 2008	2,000,000	4.25
May 2009	4,420,000	2.00
November 2009	9,625,000	7.90
May 2013	1,100,000	7.46
	17,880,000	

The warrants, when issued, are accounted for at their fair value determined by the Black-Scholes model based on the following weighted average assumptions:

Granted to a lender	**2008**
Average dividend per share	0%
Volatility	60%
Risk-free interest rate	3%
Weighted average life expected	3 years
Weighted average fair value of warrants granted	$0.31

(unaudited, tabular expressed in thousands of dollars)

12. Share options

The following table summarizes information about the Company's stock options outstanding:

		As at June 30, 2008
	Number of options	Weighted average exercise price
		$
Balance – beginning of period	9,417,100	3.20
Granted	325,000	4.18
Exercised	(874,000)	0.43
Cancelled	(5,000)	4.18
Balance – end of period	8,863,100	3.50
Options exercisable – end of period	7,261,434	3.12

For the period ended June 30, 2008, 874,000 options were exercised for cash consideration of $376,000. An amount of $174,000 from these options was reclassified from Contributed surplus to Share capital.

The shareholders approved the adoption of a new Stock Option Plan on May 8, 2008. Under the new Plan, there will be a maximum of 10% of the issued and outstanding common shares reserved for the issuance under the Stock Option Plan from time to time. The options outstanding under the old stock plan were continued under the new Plan.

On June 30, 2008, 5,000 options were cancelled.

The following table summarizes the Company's stock options outstanding as at June 30, 2008:

	Options outstanding		Options exercisable	
Exercise price	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
$				
0.10	200,000	1.2	200,000	1.2
0.16	1,600,000	0.3	1,600,000	0.3
1.60	550,000	0.7	550,000	0.7
3.125	2,198,100	1.3	2,198,100	1.3
4.18	320,000	4.8	53,334	4.8
5.325	1,070,000	3.7	770,000	3.7
5.46	2,325,000	3.7	1,290,000	3.3
5.50	600,000	2.0	600,000	2.0
	8,863,100	2.2	7,261,434	1.8

(unaudited, tabular expressed in thousands of dollars)

12. Share options *(continued)*

The options, when granted, are accounted for at their fair value determined by the Black-Scholes model based on the vesting period and on the following weighted average assumptions:

	2008
Average dividend per share	0%
Volatility	60%
Risk-free interest rate	3%
Weighted average life expected	3 years
Weighted average fair value of options granted	$1.77

13. Contributed surplus

The following table details the changes in the Company's contributed surplus:

	As at June 30, 2008
	$
Balance – beginning of period	11,800
Stock-based compensation	1,975
Fair value of options exercised	(174)
Balance – end of period	13,601

(unaudited, tabular expressed in thousands of dollars)

14. Cash flow information

The changes in non-cash working capital items are as follows:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	$	$	$	$
Increase in Accounts receivable	(1,086)	(1,429)	(1,201)	(819)
Increase in Prepaids and deposits	(807)	(235)	(963)	(247)
Increase (decrease) in Accounts payable and accrued liabilities	252	287	(1,070)	266
	(1,641)	(1,377)	(3,234)	(800)
Supplemental information				
Stock-based compensation allocated to mineral properties and deferred expenditures	544	-	1,238	-
Amortization of property, plant and equipment allocated to mineral properties and deferred expenditures	133	32	206	69
Warrants issued in conjunction with long-term debt and accounted for as deferred financing fees	341	-	341	-
Amortization of deferred financing fees allocated to mineral properties and deferred expenditures	21	-	21	-
Warrants issued in conjunction with private placement and accounted for as share issue expenses	-	-	-	1,182

For the period ended June 30, 2008, the Company acquired property, plant and equipment amounting to $18,075,000 (2007 – $9,204,000) of which an amount of $14,042,000 (2007 – $7,838,000) has been paid. Also, the Company disposed property, plant and equipment for an amount of $1,675,000.

For the period ended June 30, 2008, the Company's investments in mineral properties and deferred expenditures amounted to $33,830,000 (2007 – $11,201,000) of which an amount of $32,038,000 (2007 – $10,119,000) has been paid. Accrued refundable tax credits and mining duties of $7,023,000 (2007 – $3,276,000) have not been received.

(unaudited, tabular expressed in thousands of dollars)

15. Related party transactions

Related party transactions occurred in the normal course of business and were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

The Company entered into the following transactions with officers or companies owned by officers:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	$	$	$	$
General and Administrative expenses (office rent) paid to a company controlled by an officer	33	33	66	66
General and Administrative expenses (office rent) charged to a significant shareholder	23	-	46	-
	56	33	112	66

An approximate $375,000 security deposit is pledged against the long-term lease entered into with a company controlled by an officer. The security deposit is equal to approximately two years' rent and may be applied to the initial five-year lease in case of default of payment and is accounted for as Prepaids and deposits.

The Company entered into an agreement with a significant shareholder for the sub-lease of an office facility.

16. Income taxes

Future income tax liability

On July 12, 2007, the Company issued 3,333,333 flow-through shares for gross proceeds of $25,000,000. Under the flow-through share agreements, the Company agreed to renounce $25,000,000 of qualifying expenditures to the investors effective December 31, 2007, although under Canadian tax law, the expenditures may actually be incurred up to December 31, 2008.

Under CICA Emerging Issues Committee Abstract 146, *Flow-Through Shares*, the Company is required to record a provision at the time the actual renunciation forms are filed with the tax authorities, by an increase in the share issue expenses relating to the flow-through shares, for the future income taxes related to the tax deductions the Company had forgone. The Company has estimated that the future income taxes recorded at the time of renunciation would be approximately $4,476,000. Consequently, the Company has recognized share issue expenses and an increase in future income tax liability of $4,476,000 at the time of renunciation.

The Company has future income tax assets of loss carry-forwards and deductible temporary differences that it had not recognized in previous years as a result of applying the “more likely than not” test. The taxable temporary differences which arose through the issuance of the flow-through shares in 2007 are expected to reverse, so that part of the unrecognized future income tax assets can be applied against the full taxable temporary differences. Accordingly, the Company has recognized that portion of its unrecognized future income tax assets by reversing a valuation allowance of $4,476,000 in the consolidated statement of operations in the first quarter of 2008.

(unaudited, tabular expressed in thousands of dollars)

17. Commitments

The Company's obligations under various contracts are as follows:

	2008	2009	2010	2011	2012 and thereafter
	$	$	$	$	$
Office leases (note 15)	70	825	775	720	1,745
Mining equipment	17,135	21,635	7,405	-	-
Mining fleet	6,110	-	78,725	-	-
Relocation program	6,300	895	-	-	-
	29,615	23,355	86,905	720	1,745

Exploration

The Company has a contract with a supplier to provide technical services in connection with exploration programs on its properties. Since February 2008, the management fee applicable on the aggregate amount of fees and expenses for each work phase of the Canadian Malartic project was reduced from 10% to 5%. A management fee of 5% is charged on all other projects located in Quebec, Canada. The contract expired on August 2, 2007 and was renewed for a seventeen-month period ending December 31, 2008.

The Company is committed to incur Canadian Exploration Expenses of $25 million by December 31, 2008, and to transfer these expenditures to the subscribers of its flow-through share underwriting completed on July 12, 2007. As at June 30, 2008, $22 million has been incurred against this commitment.

Relocation program

The Company has initiated the relocation program in Malartic to allow for the future exploitation of the Canadian Malartic Project. The program consists of the relocation or the acquisition of approximately 205 homes, and the construction of five institutional buildings, for a total estimated investment of $82 million. To date, some $11 million has been expended on the program.

Mining fleet and Capital lease financing agreement

In preparation for the development of the Canadian Malartic Project, the Company has entered into an agreement with Hewitt Equipment Limited for the acquisition of a mining fleet for a commitment of approximately US$83 million. The equipment will be delivered in stages over the next 18 months. To secure the order, the Company issued to the supplier two letters of credit as follows:

- US$7,948,325, expiring not later than January 31, 2010
- US$3,645,017, expiring not later than August 31, 2010

The letters of credit issued by a chartered bank are supported by term deposits and classified as Restricted cash.

To finance the acquisition of the mining fleet, the Company has entered into a Capital Lease Financing Agreement with Caterpillar Financial Services Limited for an amount of US$83 million. Lease payments are scheduled for a 60-month period, at an interest rate LIBOR + 2.75% in two tranches of US$6 million and US$77 million respectively. The lease features a buy-out clause at the term of the lease which the Company intends to exercise. The Company is required to place letters of credit up to 15% of the value of the lease to cover the cost of demobilization in the event of default. The Company has issued a letter of credit for US$900,000 on July 2, 2008 which is supported by a term deposit following the delivery of the construction fleet.

(unaudited, tabular expressed in thousands of dollars)

17. Commitments *(continued)*

The Company has agreed to pay an arrangement fee of 0.9%, payable in two tranches. The first payment of US$753,000 was paid in June 2008 and accounted for as Prepaids and deposits. The capital lease facility has commitment fee of 0.50% of the unused amount.

Sustainability fund

On March 11, 2008, the Company announced the creation of the "Fonds Essor Malartic Osisko", a sustainable development fund for the Town of Malartic. The fund will be managed by a Board of Directors comprised of seven individuals, including two from Osisko. The Company has pledged an initial contribution of 300,000 shares which are to be held in escrow until certain project milestones, and an annual cash contribution of $150,000 during the duration of the Canadian Malartic operations. The shares and contributions will be made upon the fund receiving government designation as a charitable foundation.

18. Financial instruments

Financial risk factors

The Company's activities are exposed to financial risks: market risks (including currency risk and interest rate risk), credit risk and liquidity risk.

a) Market risks

i) Fair value

The fair value of financial instruments as at June 30, 2008 and December 31, 2007 is summarized as follows:

		As at June 30, 2008		**As at December 31, 2007**
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial Assets				
Held for trading				
Cash and cash equivalents	116,841	116,841	108,133	108,133
Loans and receivables				
Short-term investments	-	-	55,000	55,000
Restricted cash	13,009	13,009	-	-
Cash collateral investments	24,914	24,914	18,945	18,945
Accounts receivable	22,181	22,181	13,957	13,957
Financial Liabilities				
Accounts payable and accrued liabilities	16,611	16,611	11,856	11,856
Long-term debt	19,189	19,189	-	-

(unaudited, tabular expressed in thousands of dollars)

18. Financial instruments *(continued)*

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents, short-term investments, restricted cash and cash collateral investments bear interest at fixed rates.

Other current financial assets and liabilities are not exposed to interest rate because they are non-interest bearing.

The long-term debt bears interest at a fixed rate and is also not exposed to interest rate risk.

iii) Currency risk

The Company is exposed to currency fluctuations in the acquisition of mining equipment manufactured outside of Canada and concluded in foreign currencies. The Company is often required to place deposits against future commitments. Also, the Company holds balances in cash and cash equivalents, restricted cash, cash collateral investments and accounts payable and accrued liabilities in various currencies and is therefore exposed to gains or losses on foreign exchange. The Company does not use derivates to mitigate its exposures to foreign currency risk.

As at June 30, 2008, the balances in foreign currencies were as follows:

	US dollars	**Euro**	**Australian dollars**	**Brazilian real**
Cash and cash equivalents	1,239	-	-	53
Restricted cash	11,593	-	-	-
Cash collateral investments	24,459	-	-	-
Accounts receivable	165	-	-	-
Accounts payable and accrued liabilities	(2,219)	(1,914)	(26)	-
Net balance	35,237	(1,914)	(26)	53
Equivalent in Canadian dollars	35,892	(3,109)	(25)	34

Based on the balances as at June 30, 2008, a 1% variation in the exchange rates on that date would have resulted in a variation of approximately $329,000 in the net income.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, restricted cash, cash collateral investments and accounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents, short-term investments, restricted cash and cash collateral investments in guaranteed investment certificates with Canadian chartered banks. Also, as the majority of its receivables are with the governments of Quebec and Canada in the form of sales tax and government incentives, the credit risk is minimal.

(unaudited, tabular expressed in thousands of dollars)

18. Financial instruments *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. At the end of June 2008, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the current year.

The following table summarizes the Company's financial liabilities as at June 30, 2008:

	Less than one year	Between one and five years
	$	$
Accounts payable and accrued liabilities	16,611	-
Long-term debt	-	7,917
	16,611	7,917

19. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the period ended June 30, 2008.